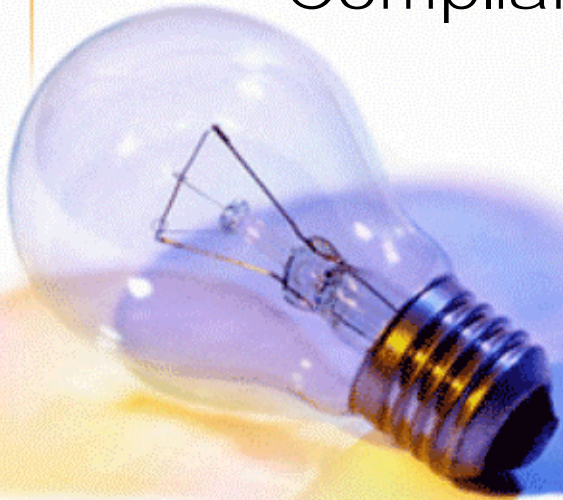


# BSA/AML – Getting it Right

How to Build a Successful BSA/AML  
Compliance Program & Common  
Violations

July 31, 2006





## Updated FFIEC BSA/AML Examination Manual

- Revised Manual issued July 28, 2006.
- Revisions reflect the ongoing commitment of the federal banking agencies to provide current and consistent guidance on risk-based policies, procedures, and processes for banking organizations to comply with the BSA.



## Updated FFIEC BSA/AML Examination Manual, cont.

- Significant revisions include:
  - Risk assessment;
  - New sections: ACH and trade finance;
  - New regulations and supervisory guidance;
  - Emerging risks; and
  - Reformatting and restructuring.



## Common Misperceptions About BSA/AML Examinations

- No tolerance of “zero tolerance”; however, OTS will take appropriate action to remedy significant or repeat violations.
- Programs should be risk-based:
  - Although programs must have required elements, low-risk associations don’t need a lot of sophistication or detail.
  - Once required elements are in place, details will depend on the association’s particular risk profile.
  - No “one-size-fits-all” .



## Common Misperceptions About BSA/AML Examinations, cont.

- Risk assessments:
  - No set format or expectation.
  - Not rocket science, particularly for low-risk associations.
- Enforcement actions and large fines are rare:
  - From 1/1/05 through 6/30/06, OTS initiated 24 formal actions out of 1069 examinations (2.2%).
  - Large fines involve significant system-wide breakdowns, not minor isolated problems.



## Common Weaknesses

- No formalized risk assessment process.
- Canned policies and procedures.
- Failure to modify program in response to change in business or customer base.
- Common violations include:
  - Customer Identification Programs (CIP);
  - Technical Currency Transaction Report (CTR) errors; and
  - Independent testing.



## Best Practices

- Risk assessments
- Independent testing
- SARs



## Best Practices, cont.

- Risk assessments:
  - Have to know risk in order to develop a program “reasonably designed” to assure compliance.
  - Identify products and services, customers and entities, and geographic locations.
  - Analyze the numbers to assess true nature of risk. For example, International wire transfers.
  - Write it down!!!
  - Reassess when necessary, at least once every 12-18 months.





## Best Practices, cont.

- Independent testing:
  - A solid, regular independent test is an association's best tool for ensuring the quality of an effective BSA/AML compliance program.
  - Thorough, self-correcting, open communication up and down.
  - Must be independent and comprehensive (appropriate *breadth* and *depth*) for the association's risk profile.
  - Perform every 12-18 months.



## Best Practices, cont.

- SARs:
  - Develop a risk-based identification and monitoring system.
  - Write it down!!!
  - Follow it!!!
  - Complete and accurate SARs.
  - Document that you have followed your process, particularly in cases where decision is NOT to file.



## Best Practices, cont.

- SAR decision-making process:
  - “In those instances where the bank has an established SAR decision-making process, has followed existing policies, procedures, and processes, and has determined not to file a SAR, the bank should not be criticized for the failure to file a SAR unless the failure is significant or accompanied by evidence of bad faith.”



## Questions?

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